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INFORMATION REPORT

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COUNTRY Hungary/Rumania/Austria

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SUBJECT Effectiveness of the Western Embargo

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THIS IS UNEVALUATED INFORMATION

1. The Hungarian Commercial Attaché in Vienna [] is reported to have said [] in reference to the western embargo on Satellite trade:

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a. The embargo is becoming less effective as the Satellites find new channels for the procurement of goods from the West. The inability to establish hard-currency letters of credit abroad, is canceled by hard-currency payments to the suppliers through the Satellite legations in the West.

b. There are new industries in Hungary and Rumania which are producing goods not available from the West during the first half of 1952. The ball-bearing industry, for example, has been expanded. An estimated 85 per cent. of the Hungarian and Rumanian requirement is produced locally. The Hungarian and Rumanian industries are assembling their own races and cages with balls received from Sweden and Holland. They also have no trouble in procuring ball-bearing wire.

2. Solti, in stressing the coming danger to the Austrian economy when the embargo is lifted, said that Austria will lose a natural outlet for finished goods since Hungary is successful in turning to more satisfactory suppliers.

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